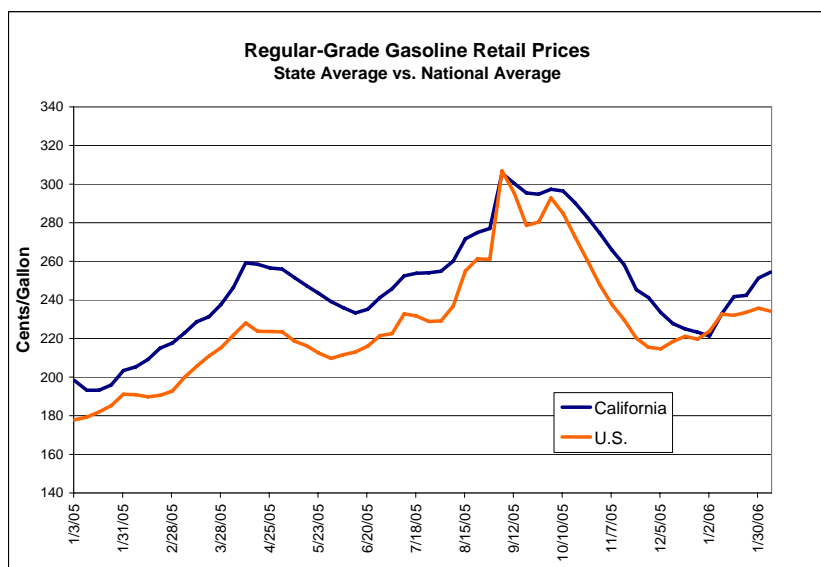
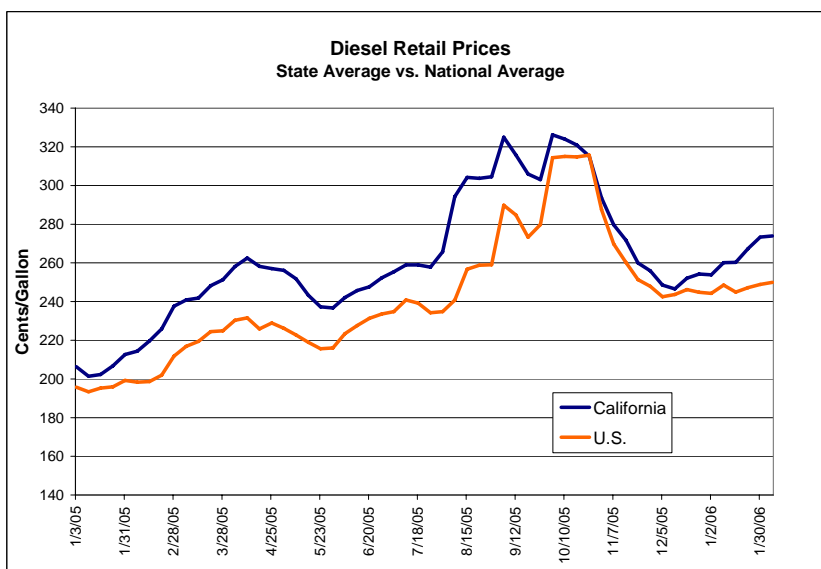


Retail Gasoline and Diesel Prices on February 6

- The average statewide retail price for regular gasoline rose to \$2.54 a gallon, 3 cents more than the previous week and the fifth straight week of increases. The difference between California and U.S. retail prices, which had nearly disappeared at the beginning of 2006, grew rapidly to 20 cents, about equal to the average difference for 2005.¹



- After four weeks of steady increases, average California retail diesel prices grew less than a penny last week, reaching \$2.74 per gallon. The difference between average California and U.S. retail diesel prices has grown by more than 14 cents per gallon from the beginning of the year to 24 cents.

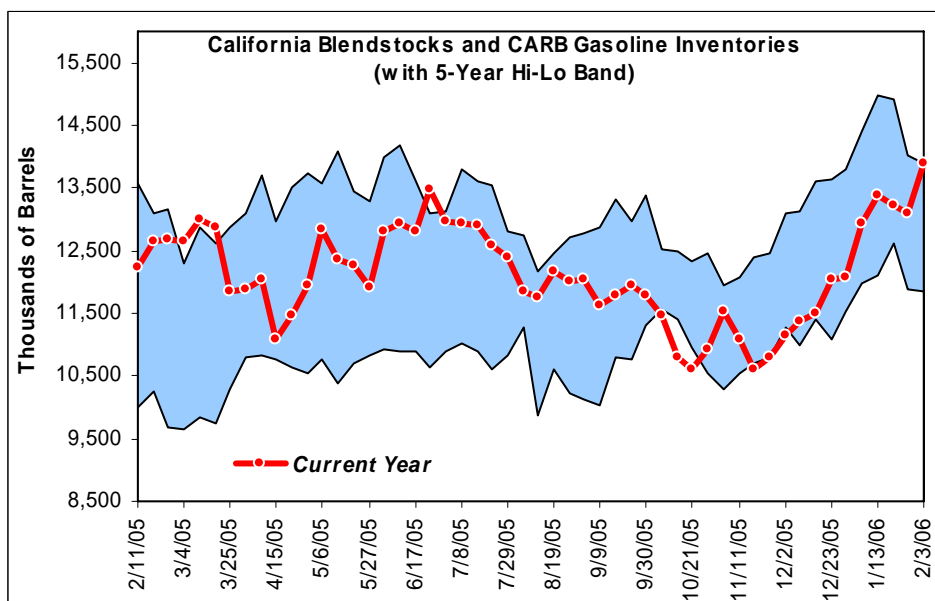
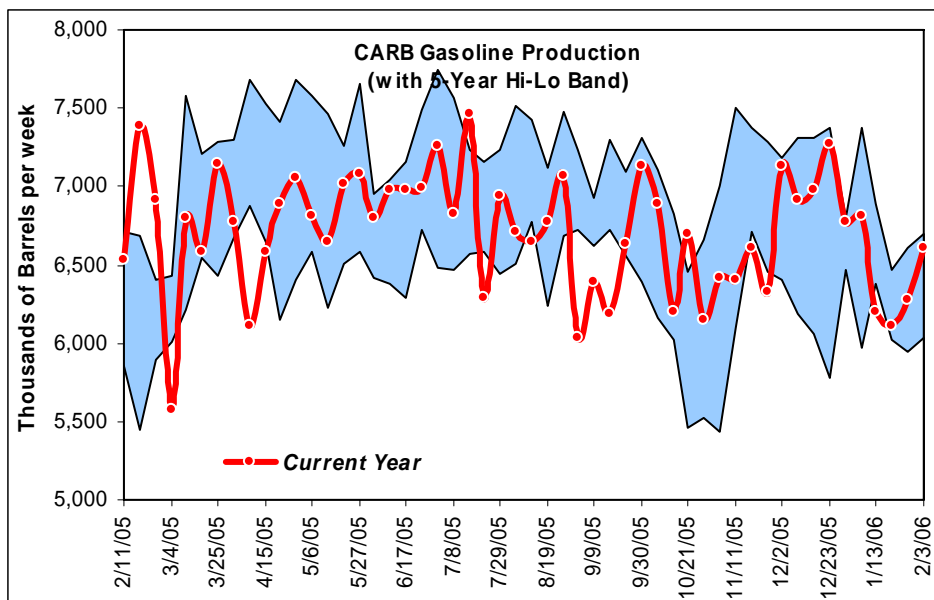


Wholesale Gasoline and Diesel Prices on February 7

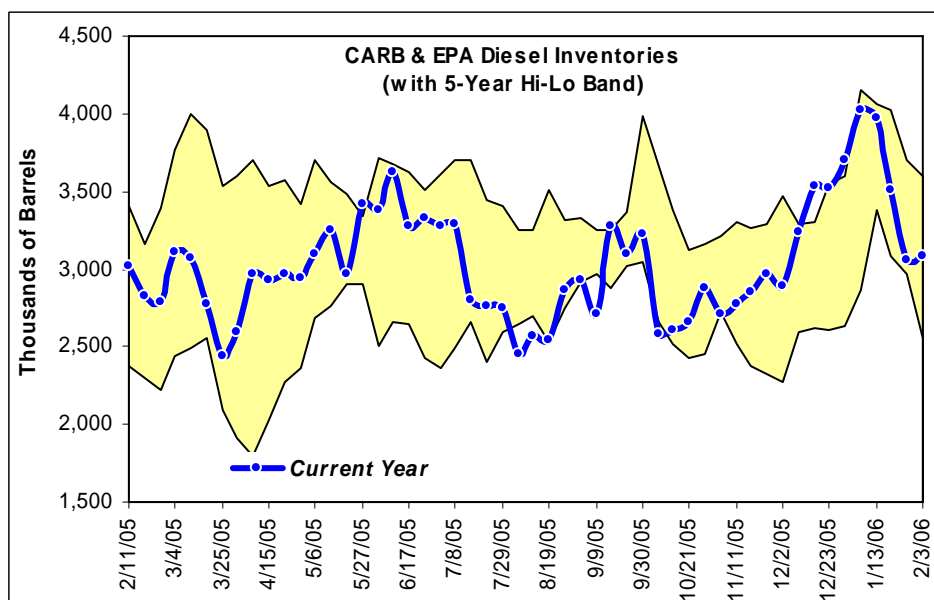
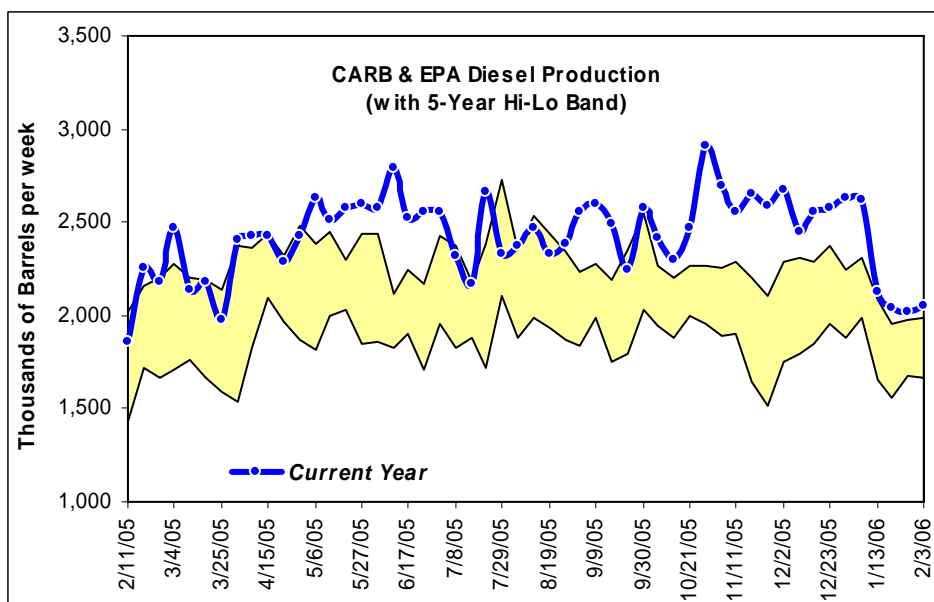
- California spot wholesale reformulated gasoline prices fell to \$1.77 per gallon, down 23 cents from January 30, as crude oil prices have fallen and gasoline inventories have grown, particularly on the West Coast. Differences between California spot prices and those for reformulated gasoline at New York Harbor have been fairly stable over the last two weeks, with California prices averaging about 25 cents per gallon higher. Differences between California and the Gulf Coast have been about 22 cents over the same period.
- California spot wholesale low-sulfur diesel prices have fallen to \$1.83 per gallon, down 20 cents from the recent peak of \$2.03 on January 23. After growing to about 20 cents per gallon in mid-January, the difference between California wholesale diesel prices and prices in other regions has narrowed in recent weeks, although not to the low levels of December and early January. California spot prices were 12 cents more than New York Harbor and 9 cents more than the Gulf Coast. The difference between California diesel and gasoline spot prices has increased in the last week, growing from near parity on January 31 to about 7 cents more for diesel than gasoline.
- The Energy Information Administration weekly assessment for February 3 indicates that U.S. gasoline demand increased 1 percent from the previous week, while distillate demand grew 1.4 percent. The latest four-week average demand for gasoline is 8.883 million barrels per day, 0.8 percent more than last year. The four-week average for U.S. distillate demand is 4.194 million barrels per day, down 3.7 percent from last year.

Refinery Production and Inventories

- After several weeks of low output levels, reformulated gasoline production in California during the week ending February 3 increased to 6.6 million barrels, 5 percent more than the previous week, as some refinery winter maintenance programs ended. Although still about 1 percent less than last year, production has moved back into the upper end of the five-year range, despite several other refineries beginning or continuing planned maintenance turnarounds.²
- California reformulated gasoline inventories grew almost 1 percent from the previous week, while gasoline blendstock inventories increased by nearly 11 percent, as refiners anticipated the winter maintenance season. The growth in combined inventories of reformulated gasoline and gasoline blendstocks in the state pushed stocks to the upper end of the 5-year range, 14 percent higher than last year. Meanwhile, U.S. gasoline inventories grew by 4.3 million barrels to 223.3 million as of February 3, largely on increased imports, and West Coast gasoline inventories reached their highest levels since May 2003.



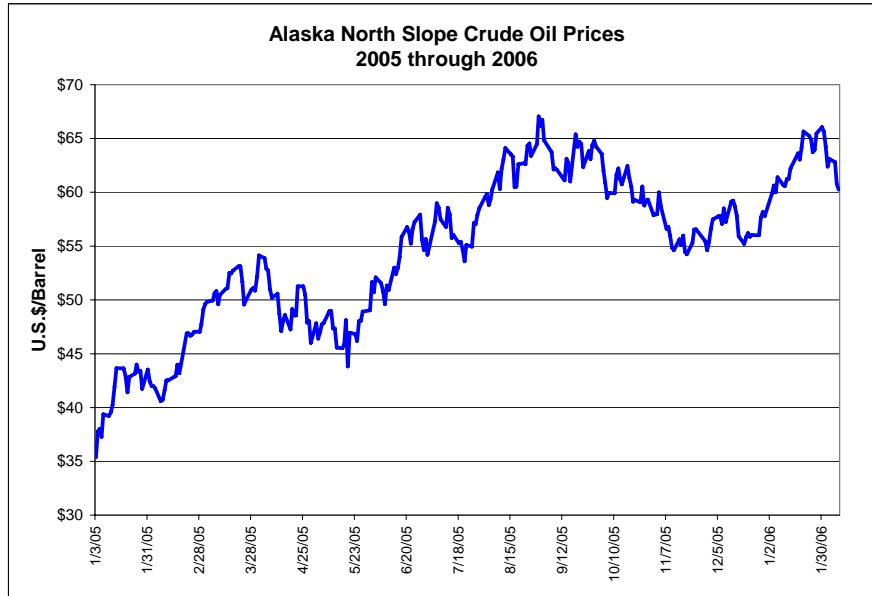
- California production of low-sulfur diesel during the week of February 3, including both California diesel and U.S. EPA diesel, grew 1.5 percent from the previous week and almost 9 percent from a year ago; production remains higher than the five-year range. Combined low-sulfur diesel inventories in the state grew by about 1 percent from the previous week to 3.1 million barrels but are significantly less than the levels of early January, when stocks exceeded 4 million barrels. U.S. distillate inventories fell slightly from the previous week, declining by 313,000 barrels to 136 million barrels as of February 3.



Crude Oil Prices and Inventories

- West Coast prices for Alaska North Slope (ANS) crude oil, an important refinery feedstock for California, rose from \$59.89 per barrel on January 3 to a peak of \$66.05 by January 30, reflecting Iran's response to U.S. and European requests that Iran give up plans to develop nuclear power, as well as kidnappings and sabotage at oil facilities in Nigeria. With the restart of some oil production following the release of the hostages in Nigeria, OPEC's announcement at the end of January that it would not cut production in expectation of lower seasonal demand this spring, and the settlement of a threatened oil workers' strike in Norway, ANS prices have since

drifted downward, falling to \$60.25 by February 8.³ Traders also seem to be discounting the possibility that Iranian oil will actually be cut off anytime soon, despite the referral of Iran to the U.N. Security Council by the International Atomic Energy Agency.



- U.S. commercial crude oil inventories fell slightly last week to 320.7 million barrels as of February 3. This is 318,000 barrels less than the previous week, but 26.4 million more than last year, and 32.3 million more than the 5-year average. Crude oil stocks continue to be substantial as crude oil imports remain strong and refinery runs are down due to extensive maintenance schedules, offsetting persistent losses of oil production along the Gulf Coast from last year's hurricanes.
- The return of offshore crude oil production in the Gulf Coast has slowed in recent months, and a substantial amount remains off-line. According to the Minerals Management Service, as of February 8 more than 24 percent of U.S. Gulf of Mexico offshore oil production, or 364,195 barrels per day, remains shut down from Hurricanes Katrina, Rita, and Wilma. More than 124 million barrels of crude oil production have cumulatively been lost to these hurricanes since late August, almost 23 percent of annual Gulf of Mexico offshore oil production.

¹ Spot wholesale and retail gasoline and diesel prices are from the Energy Information Administration of the U.S. Department of Energy.

² California refinery production and inventory information are from the Petroleum Industry Information Reporting Act (PIIRA) database maintained by the California Energy Commission.

³ ANS crude oil prices are from the *Wall Street Journal*. U.S. crude oil and product inventory estimates are from the Energy Information Administration of the U.S. Department of Energy.